Teachers' Retirement System Plan 1

Member's Benefit Estimate Worksheet

This worksheet should answer some of your questions about how your TRS Plan 1 retirement benefit is calculated. To assist you in completing the worksheet, we included an example of "John Doe's" retirement calculation. The results of this retirement benefit estimate are only estimated benefits based on projected salary and service credit. Your actual retirement benefit may be different as it will be based on final employer reporting.

Your retirement benefit is two-part: (1.) Your annuity, which is the total of your contributions plus interest; and, (2.) your pension, which is based on the length of your Washington State Public School teaching service and your average final compensation (AFC). At retirement you have the option of withdrawing your annuity.

The Maximum benefit under TRS Plan 1 is 60% of AFC.

You can retire from TRS Plan 1 when you meet one of the following criteria:

- 30 years of service credit regardless of age
- Age 60 or older with at least five years of service credit
- Age 55 with at least 25 years of service credit

How service credit is counted

You earn a full year of service credit if you receive compensation for at least four-fifths — 144 days — of the 180-day school year, provided that contributions have been made to TRS. You may earn a fractional year's service credit for working less than four-fifths of a fiscal year. (Divide number of days worked by 180 to calculate fraction.) No service credit will be granted for less than 20 days of service within a fiscal year.

Out-of state service: Vested TRS members may use service credit earned in a public teachers' retirement system in another state to qualify for retirement. Out-of-state service is not used in the calculation of your benefit amount. It affects only your retirement date.

Sick Leave: You can use up to 45 days of sick leave qualify for retirement. Use of sick leave in this manner does not affect your retirement benefit.

Benefit Payment Options

MAXIMUM BENEFIT OPTION

This option provides the highest possible monthly benefit, which is payable for your lifetime. If you die before you receive the value of your accumulated contributions, any remaining balance of your contributions remain in the fund. Your beneficiary receives only the unpaid final monthly benefit due on the date of your death.

OPTION 1 STANDARD OPTION

This option pays you a slightly reduced benefit. When you die, the final unpaid monthly benefit due at the time of your death and any remaining balance of your contributions are paid in a lump sum to your beneficiary.

OPTION 2: JOINT AND 100 PERCENT SURVIVORSHIP (Reverts to Option 1 if beneficiary dies first)

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3: JOINT AND 50 PERCENT SURVIVORSHIP (Reverts to Option 1 if beneficiary dies first)

This option also provides an actuarially reduced benefit, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

OPTION 4: JOINT AND 66.67 PERCENT SURVIVORSHIP (Reverts to Option 1 if beneficiary dies first)

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

COLA OPTION

Once you choose one of the benefit options (above), you may elect to receive an annual cost-of-living adjustment (COLA). To offset the cost of this annual adjustment, your benefit is actuarially reduced.

TRS Plan 1 Benefit Estimate

Member's Benefit Estimate Worksheet	You	John Doe
Step 1: Determine your anticipated date of retirement.		**July. 1, 2005**
Step 2: Determine your total service credit years as of your anticipated date of retirement. 2a. My current balance of TRS 1 service credit years		**25**
2b. The number of years until my anticipated retirement date:		**5**
2c. My projected service credit years at retirement: (2a + 2b = 2c)		**25 + 5 = 30**
Step 3: Determine the amount of your annuity. Your annuity is composed of your contributions to TRS and the interest they have earned. DRS provides this information in your annual statement which is distributed in November.		**$75,000**
Step 4: Estimate your Average Final Compensation Average Final Compensation (AFC) is the average earnings from your two consecutive fiscal years. (July 1 - June 30)		**$54,000**
Step 5: Calculate your Maximum Benefit if you leave your annuity in the retirement fund: Under TRS Plan 1, you cannot receive a benefit in excess of 60% of your AFC. 5a. Multiply your years of service by 2%.		**.02 x30 = .60**
5b. Multiply your AFC by the result of 5a.		**$54,000 x .60 = $32,400**
5c. Divide result of 5b by 12. (This is your maximum benefit, without withdrawal of any annuity funds.)		**$32,000 / 12 = $2,700 per mo.**
Calculate Maximum Benefit with a withdrawal of 100% of your annuity. 5d. Multiply the amount you withdraw by the actuarial factor from Table 1, page 5, that corresponds to your age at retirement. (John will be 61 at retirement). **NOTE:** When calculating benefits, TRS using your age at the nearest birthday.		**$75,000 x .0080866 = $606.50**
5e. Subtract 5d from 5c. This is your reduced monthly benefit.		**$2,700 - $606.50 = $2,093.50 per mo.**
NOTE: Under the maximum benefit, a member has the option to withdrawal any portion of the annuity (contributions and interest). If the withdrawal is less than 100%, in Step 5d, simply multiply the actual amount withdrawn by the appropriate actuarial factor, then proceed to Step 5e.		**If John withdrew $20,000.** **$20,000 x .0080866 = $161.72** **$2,700 - $161.72 = $2,538.28 per mo.**

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Step 6: Calculate your Option 1 Benefit: Unlike the Maximum benefit, the Option 1 benefit ensures that your benficiary will, at your death, receive any remaining funds in your annuity. With an Option 1 benefit, you may not withdraw 100% your annuity. 6a. Multiply your Maximum Benefit (Step 5) by 98%.	**You**	**John Doe** **$2,700 x .98 = $2,688.44 per mo.**
Step 7: Calculate your benefits under the Survivor Benefit Options NOTE: You have the same option to withdraw all or part of your annuity when retiring under one of the survivor options. An actuarial reduction for the survivor optiion is taken after annuity reduction for the withdrawal (5e). The Survior Option reduction is based on the age difference between you and your beneficiary. If your survivor dies before you, your benefit will be increased to the Option 1 level.		
7a. **Option 2 -100% Survivor Option** (at retiree's death, named benficiary receives a benefit equal to the retiree's benefit) Multiply the result of 5c by appropriate Actuarial figure from Table 2: Survivor Benefit Options on Page 5. *John's survivor is 2 years younger.*		**$2,700 x .888 = $2397.60 per mo. same for survivor**
Option 2 with a 100% withdrawal The reduction (7a) is taken after annuity reduction for the withdrawal (5e).		**$2,122.13 x .888 = $1,859.03 per mo.**
7b. **Option 3 - 50% Survivor Option** (at retiree's death, named benficiary receives a benefit equal to 50% of the retiree's benefit) Multiply the result of 5c by appropriate Actuarial figure from Table 2: Survivor Benefit Options on Page 5. *John's survivor is 2 years younger.*		**$2,093.50 x .941 = $1,964.51 per mo. survivor: $1,270.35**
Option 3 with a 100% withdrawal The reduction (7b) is taken after annuity reduction for the withdrawal (5e).		**$2,093.50 x .941 = $1958.73 per mo. survivor : $982.26**
7c. **Option 4 - 66.67% Survivor Option** (at retiree's death, named benficiary receives a benefit equal to 66.67% of the retiree's benefit) Multiply the result of 5c by appropriate Actuarial figure from Table 2: Survivor Benefit Options on Page 5. *John's survivor is 2 years younger.*		**$2,700 x .922 = $2,489.40 per mo. survivor: $1,660.43**
Option 4 with a 100% withdrawal The reduction (7c) is taken after annuity reduction for the withdrawal (5e).		**$2,093.50 x .922 = $1,930.2 per mo. survivor : $1287.45**
Step 8: Calculate the COLA Option: If you desire, you can select an annual Cost-of-Living Adjustment which is based on the annual rise in the Consumer Price Index of Seattle. The maximum increase you can receive in one year is 3%. This COLA is in addition to automatic COLAs and Gainsharing increases.If you choose Optional COLA your benefit under your chosen option is reduced based on the Table 3: COLA Option on page 5. *John will be age 63 at retirement.* **NOTE:** Regardless of whether you choose the COLA Option or not, you will be eligible for an annual COLA and periodic gain-sharing payments after you have been retired for one year and are at least age 66.		**John retires under Option 2 with a 100% withdrawal. .7754 x $1,859.03 = $1,449.41 per mo.**

TRS Plan 1 Benefit Estimate

	You	John Doe
Step 9: Testing qualification for the Minimum Benefit. Under TRS law you are entitled to a maximum benefit, of at least $27.25 per month, for each year of service credit. The minimum benefit increases annually in July. *John has 30 years of service.*		**$27.25 x 30 = $817.50 per mo.** (John's benefit exceeds the minimum.)
Using Out-of- State Service Credit to retire early You can use service credit earned in a public school retirement system in another state to qualify for retirement. The service credit cannot be used in the calculation of your benefit, and may result in a benefit reduction if it allows you to retire prior to normal retirement age. You must be vested (accumulate at least 5 years of TRS service credit) before you can use out-of-state service credit. *For the purposes of this exercise, John Doe has 20 years of service and is age 45. He elects to use 10 years of service earned in another state to qualify for retirement with 30 service credit years. John's AFC is $40,000. John's benefit is actuarially reduced for early retirement becaise he will retire 15 years early. With 20 years of service credit he must be at least 60. (See eligibility requirements on page 1.)* **(a.)** Calculate your benefit using only Washington State service Credit. **(b.)** If you are able to retire earlier than you could under normal eligibility rules, your benefit will be acuarially reduced. To find the reduction locate the number of years early you will be able to retire on Table 4: Early Retirement. Multiply the monthly benefit from (a.) by the appropriate actuarial factor.		**Calculation for retirement: .02 x 20 x $40,000 = $16,000 annually $16,000 / 12 = $1333.33 per mo.** **Actuarial reduction .43 x $1333.33 = $573.33 per mo.**

Table 4
Early Retirement

Years Early	Reduction Factor	Years Early	Reduction Factor
1.0	.92	11.0	.39
2.0	.84	12.0	.35
3.0	.76	13.0	.31
4.0	.71	14.0	.29
5.0	.66	15.0	.27
6.0	.61	16.0	.25
7.0	.56	17.0	.23
8.0	.51	18.0	.21
9.0	.47	19.0	.20
10.0	.43	20.0	.19

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TABLE: 1 Annuity Withdrawal

Age at Retirement	Reduction Factor
35	0.0066930
36	0.0067116
37	0.0067315
38	0.0067527
39	0.0067754
40	0.0067998
41	0.0068261
42	0.0068543
43	0.0068846
44	0.0069172
45	0.0069523
46	0.0069900
47	0.0070305
48	0.0070740
49	0.0071210
50	0.0071717
51	0.0072265
52	0.0072858
53	0.0073500
54	0.0074191
55	0.0074939
56	0.0075749
57	0.0076627
58	0.0077573
59	0.0078589
60	0.0079685
61	0.0080866
62	0.0082138
63	0.0083506
64	0.0084970
65	0.0086537
66	0.0088208
67	0.0090000
68	0.0091921
69	0.0093974
70	0.0096186

Table 2: Survivor Benefit Options

	Age Difference	Option 2 100%	Option 3 50%	Option 4 66.67%
Member Younger	-20	0.968	0.984	0.979
	-19	0.966	0.983	0.977
	-18	0.964	0.982	0.976
	-17	0.962	0.981	0.974
	-16	0.960	0.979	0.973
	-15	0.957	0.978	0.971
	-14	0.955	0.977	0.969
	-13	0.952	0.976	0.968
	-12	0.950	0.974	0.966
	-11	0.947	0.973	0.964
	-10	0.944	0.971	0.962
	-9	0.942	0.970	0.960
	-8	0.939	0.968	0.958
	-7	0.936	0.967	0.956
	-6	0.933	0.965	0.954
	-5	0.927	0.962	0.950
	-4	0.923	0.960	0.947
	-3	0.918	0.957	0.944
	-2	0.913	0.955	0.941
	-1	0.907	0.951	0.936
	0	0.898	0.946	0.930
Member Older	1	0.892	0.943	0.925
	2	0.888	0.941	0.922
	3	0.877	0.935	0.915
	4	0.873	0.932	0.912
	5	0.869	0.930	0.909
	6	0.858	0.924	0.901
	7	0.855	0.922	0.898
	8	0.851	0.920	0.896
	9	0.848	0.918	0.893
	10	0.845	0.916	0.891
	11	0.842	0.914	0.889
	12	0.839	0.912	0.887
	13	0.836	0.911	0.884
	14	0.824	0.904	0.875
	15	0.821	0.902	0.873
	16	0.819	0.900	0.871
	17	0.816	0.899	0.869
	18	0.814	0.897	0.868
	19	0.812	0.896	0.866
	20	0.809	0.895	0.864
	21	0.807	0.893	0.863
	22	0.805	0.892	0.861
	23	0.803	0.891	0.860
	24	0.802	0.890	0.858
	25	0.800	0.889	0.857
	26	0.798	0.888	0.856
	27	0.797	0.887	0.855
	28	0.796	0.886	0.854

TABLE: 3 COLA Option

Age at retirement	Reduction Factor
30	0.6705
31	0.6723
32	0.6742
33	0.6762
34	0.6783
35	0.6804
36	0.6826
37	0.6849
38	0.6872
39	0.6896
40	0.6921
41	0.6947
42	0.6974
43	0.7002
44	0.7031
45	0.7060
46	0.7091
47	0.7122
48	0.7154
49	0.7188
50	0.7222
51	0.7257
52	0.7293
53	0.7331
54	0.7369
55	0.7408
56	0.7448
57	0.7489
58	0.7531
59	0.7574
60	0.7618
61	0.7662
62	0.7708
63	0.7754
64	0.7801
65	0.7849
66	0.7897
67	0.7946
68	0.7996
69	0.8046
70	0.8097
71	0.8149
72	0.8201
73	0.8253
74	0.8306
75	0.8359